

# L. R. B. & M. JOURNAL

VOLUME 14

NUMBER 5

NOVEMBER, 1933

*Published by*  
**LYBRAND, ROSS BROS. & MONTGOMERY**  
*Accountants and Auditors*



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## Fourth International Congress on Accounting

The holding of the Fourth International Congress on Accounting in London during the past summer naturally caused those of us who had been at such earlier Congresses to pass them in review before our mind's eye. It is an interesting fact that members of our firm have participated in one way or another in each of them.

The first international congress—known at the time as the Congress of Accountants—was held during the Louisiana Purchase Exposition in St. Louis in September, 1904.

As Treasurer of the Federation of Societies of Public Accountants which sponsored it, Colonel Montgomery assisted Mr. George Wilkinson, the indefatigable Secretary of the Federation and the one who conceived the idea of the Congress, in the heavy work of planning, and preparing for it and of making the many detailed arrangements which were required. In addition, Colonel Montgomery prepared one of the important papers read at the Congress. It was entitled "The Importance of Uniform Practice in Determining the Profits of Public Service Corporations Where Municipalities Have the Power to Regulate Rates."

As one looks back to that time, almost three decades ago, one can see how almost prophetic the paper was in visualizing the importance to which the accounting of public utilities would

attain in connection with governmental regulation of public service rates. At that time such regulation was in its infancy but it has since become widespread. Despite the time which has elapsed since the writing of the paper and the many developments in the public utility field since, with respect to finance, accounting and rate-making, the principles laid down by Colonel Montgomery at that time still stand. The Congress appointed a special committee to prepare a statement of principles based on Colonel Montgomery's paper, which was duly done.

Three of the then four members of our firm, Mr. Lybrand, Mr. Adam A. Ross and Colonel Montgomery, were present at the Congress, as were also Mr. Pugh and Mr. Staub. At the banquet with which the Congress came to a conclusion, Mr. Lybrand replied to the toast to "The Profession of the Public Accountant."

His remarks on that occasion are recorded in the Proceedings of the Congress.

The Committee which prepared the program for the Congress decided that an opportunity should be given to assistants in the offices of the members of the profession in the United States to prepare papers on the subject, "Mode of Conducting an Audit," a prize of \$50 being offered for the best paper. It was a satisfaction to the firm that a member of its staff, Mr.

Staub, was the winner of the prize and was present to read his paper at the Congress.

The 1908 annual meeting of the American Association of Public Accountants might well have been termed the second international congress on accounting. A considerable number of delegates from accounting societies outside the United States had come to Atlantic City to join in celebrating the twenty-first anniversary of the founding of the Association, those present from abroad including the following: Mr. William Plender, Member of Council, Institute of Chartered Accountants in England and Wales; Mr. Harry Lloyd Price, President, The Society of Incorporated Accountants and Auditors, London; Mr. Clare Smith, President, The Bristol Society of Chartered Accountants; Mr. Richard Brown, Secretary, Society of Accountants in Edinburgh; Mr. Alexander Moore, Jr., of The Society of Accountants and Actuaries in Glasgow; Mr. George Hyde, President, Association of Accountants in Montreal; Mr. W. H. Cross, of the Dominion Association of Chartered Accountants, and others.

Although the meeting was held in Atlantic City, New Jersey, the Pennsylvania Institute of Certified Public Accountants was the host, with the New York and New Jersey societies cooperating in the entertainment of the members and guests of the Association. One of the members of our firm, Mr. Adam A. Ross, was the chairman of the Association's committee on arrangements and he presided at the special session devoted to the greeting of the delegates from other countries. One of the papers read at the meeting was that by Mr. Lybrand on "The

Accounting of Industrial Enterprises."

The success of the First International Congress led the one delegate present on that occasion from a non-English speaking country, Mr. E. van Dien of Amsterdam, Holland, to propose the holding of an international congress in that city in 1926. Under Mr. van Dien's presidency, this congress, officially known as the Second International Congress on Accounting was also a decidedly successful affair. The papers presented to that Congress included one by Colonel Montgomery on "Legislation for the Accountancy Profession."

The Third International Congress was held in New York in 1929, under the presidency of Colonel Montgomery. A very large number of papers—some sixty in all—was prepared, and a week was devoted to their presentation and discussion. The proceedings of the Congress which include papers prepared by delegates from a number of different countries, constitute a valuable reference volume. Two of the papers were by members of our firm, one by the late Mr. Gee on "Accounting for Burden," and the other by Mr. Staub on "Consolidated Financial Statements."

The Fourth International Congress was held in London from July 17-22 of this year and more than measured up to the standard set by its predecessors. Both the technical and social side of the five days' program were exceptionally well planned and were faultlessly carried out. None of those present will ever forget the generous, nay lavish, hospitality of the eight British accounting societies who sponsored the Congress and who were our hosts.

By a happy inspiration on some one's part, the first event of the Congress on the opening day, Monday, was a specially arranged service in Westminster Abbey, which is so inseparably associated with the religious life and history of England. The Dean of the Abbey presided at the service; a full choir embellished the service with splendid music; and an excellent sermon was delivered by the Archbishop of York.

In the afternoon of the opening day the president of the Congress, Lord Plender, delivered his presidential address, and in the evening there was a reception by Lord and Lady Plender, followed by dancing and a cabaret performance. Refreshment of every kind in full abundance ministered to every variety of taste on the part of the many present from both Britain and abroad.

On Tuesday work on the technical side of the Congress began. Morning and afternoon sessions were held on that day and on Wednesday and Friday, making six technical sessions in all. The subjects of the papers were timely and well chosen and several hours were allotted for the discussion of each paper.

The first paper presented was on International Finance by Sir Josiah Stamp, for many years one of England's foremost economists and at the present time president of the London, Midland & Scottish Railway, one of the largest railway systems in Great Britain. The fact that Sir Josiah not only gave the time necessary for the preparation of his thoughtful paper, but took the time out of a busy life to present it personally, to remain throughout the considerable discussion, and to sum up at the conclusion of the discussion is an indication of the high

esteem in which the accountancy profession is held in Britain and especially among the leaders in its business and financial life.

Other subjects on which papers were presented were as follows:

Exchange fluctuations in relation to accounting as regards operating results and asset values.

Holding and subsidiary companies. Accounting principles involved in the treatment of earnings and valuation of holdings.

The control of charges and profits of statutory undertakings, in (1) private or (2) public ownership and the accounts relating thereto, e.g., (a) railways; (b) docks and harbours; (c) water; (d) gas; (e) electricity; (f) tramways.

Accounting an aid to commerce.

Capitalist combinations in industry—in the light of present-day needs.

Depreciation and obsolescence; methods of dealing with the same, including annual appraisals (two papers were presented on this subject, one by a British accountant and one by an American accountant).

The auditor's responsibility in relation to balance sheets and profit and loss accounts from the British, Continental and American points of view.

Colonel Montgomery presented the paper on the last mentioned subject from the American point of view. Because of the passage of our Federal Securities Act after the completion of his paper and its dispatch to England for printing in advance of the holding of the Congress, Colonel Montgomery prepared a supplement to his paper. This dealt with the new aspects of the accountant's legal responsibilities resulting from the passage of the Securities Act.

In addition to presenting the paper above referred to, Colonel Montgomery officiated at the Congress in several other capacities. He was the chairman at the session of the Congress devoted to Sir Albert Wyon's paper on holding and subsidiary com-

panies. At the banquet, to which reference is made later, he responded to one of the toasts.

Mr. Staub, as president of the New York State Society of Certified Public Accountants, brought the greetings and good wishes of that Society to the Congress and participated in the discussion of the paper on holding and subsidiary companies. He took occasion to express the indebtedness of the profession in America, where consolidated financial statements are now so widely used, to Sir Arthur Lowes Dickinson for the guidance given by him to the development of the form and content of consolidated statements when he was in active practice in America during the early nineteen hundreds.

The second evening of the Congress was devoted to a theatre party at which all the foreign delegates were the guests of the Congress. Colonel and Mrs. Montgomery were the hosts at an after-theatre supper party at Dorchester House, at which the majority of the guests were the L. R. B. & M. group.

The banquet on Wednesday evening struck the high note of the Congress. Everything combined to make it a most impressive occasion. The place of meeting, London's Guildhall, with its choice architecture and centuries of historical associations, furnished a splendid setting. The brilliant company was headed by H.R.H. Prince George, K.G., and the Archbishop of York, who represented royalty and the church, respectively. Lord Plender, as president of the Congress, acted as toastmaster. Many distinguished men were present from every sphere of Britain's life. Field Marshal Allenby, who captured Jerusalem

during the World War, was one of the distinguished guests present; many other men prominent in the business, financial, professional and political life of the Empire were there, among them being the Marquis of Reading, who responded to one of the toasts; a number of the ministers to Great Britain from other countries were also among the honored guests. It was a source of pride to the L. R. B. & M. group present, which included Colonel Montgomery and Mr. Staub from New York, Mr. Davies and Mr. Norris from London and Mr. O'Dea from Berlin, that one of the responses to Prince George's toast to "The Fourth International Congress" was made by Colonel Montgomery. His response will be found on another page of this issue of the JOURNAL.

When Mr. E. van Dien of Holland responded to the toast, "The Guests," he read the names of the eight present who had attended the First International Congress held twenty-nine years before. Two of the names were those of Colonel Montgomery and Mr. Staub.

Thursday afforded a respite from the business sessions of the several preceding days. Excursions for the foreign delegates had been arranged to various points of interest, Windsor Castle, Hampton Court Palace, Port of London, Oxford and Cambridge. A golf tournament was played at the Moor Park Golf Club. In the bogey competition one of the American delegates, Mr. Andrew Stewart, won first prize with a score of 69.

In the afternoon Lord and Lady Plender gave a garden party at their lovely country home, Ovenden House, in Sundridge, Kent. The beautiful

*(Continued on page 20)*



## Colonel Montgomery's Response to the Toast to The Fourth International Congress on Accounting

The Loyal Toasts having been duly honoured, H.R.H. The Prince George, K.G. (who was received with applause) proposed "The Fourth International Congress on Accounting."

\* \* \*

Now, gentlemen, I will ask you to rise with me to drink to the health of the Fourth International Congress on Accounting, coupled with the names of your Chairman, Lord Plender, and Colonel Montgomery. (Applause.)

\* \* \*

Colonel R. H. Montgomery, C.P.A. (President, Third International Congress on Accounting), who was received with applause, said: My Lord Chairman, your Royal Highness, your Grace, your Excellencies, my Lords and gentlemen: Before leaving America I heard it whispered around that the word "debts" was to be tabooed while in Europe. Your Royal Highness may not know it, but accountants are quite used to ignoring instructions, and I am tempted to ignore this admonition, and transgress, if you will. But the debts I want to mention are debts of gratitude—(laughter)—gratitude to our hosts, our British accounting brethren, for the deep-rooted and sound fundamentals of accounting theory, practice and ethics we have inherited from them; to your Royal Highness for your kind and generous welcome; and to you, Lord Plender, for this festive gathering here to-night. I am deeply sensible of the honour which has been accorded in permitting us to gather in this historic hall, rich with its atmosphere of traditions, and

in being greeted by some of Britain's foremost sons. It is a proud day for accountants. When we again cross the seas and return to our homes we shall carry with us a memory which time will not erase, and one which will symbolize the international good fellowship and friendly co-operative spirit so manifest here to-night.

Four years ago it was my privilege to welcome the delegates to the Third International Congress on Accounting held in New York. At that time we were riding on the crest of the wave of success, which has now receded into the far distance, leaving us upon a different level. This four years' period has been one of stress and strain for most of us, while the world has been seeking a means of recovery from its economic ills. We have had new lessons to learn, and in the process it has also been necessary to unlearn not a few of the old ones. The tracks through the wilderness of financial and industrial uncertainties which the accountant has been required to chart have increased tremendously in number and in character of terrain. His responsibilities now embrace fields not hitherto envisioned.

To face successfully these new conditions we now and again need time for meditation in order that we may retrace our steps back to the fundamental theories of accountancy and make sure that our newly-trodden ways have not become so devious as to obscure the pivotal starting point. We could have no better opportunity for such meditation than is now presented by this Fourth International

# **Toast List**

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## **The King**

*Proposed by* . . . . . THE PRESIDENT.

Her Majesty The Queen,  
His Royal Highness The Prince of Wales,  
and other Members of the Royal Family

*Proposed by* . . . . . THE PRESIDENT.

## **The Fourth International Congress on Accounting**

*Proposed by* . . . . . H.R.H. THE PRINCE GEORGE, K.G.

*Responded to by* . . . . . THE PRESIDENT.

COLONEL R. H. MONTGOMERY, C.P.A.

## **The Guests**

*Proposed by* . . . . . THE VICE-PRESIDENT.

*Responded to by* . . . . HIS GRACE THE ARCHBISHOP OF YORK, P.C.

MONS. E. VAN DIEN.

## **The Chairman**

*Proposed by* . . . . . THE MARQUIS OF READING,  
P.C., G.C.B., G.C.S.I., G.C.I.E., G.C.V.O.

*Responded to by* . . . . . THE PRESIDENT.



Congress. We are assembled here in the country in which the practice of accountancy was first developed and where it first attained widespread and respected standing. In such an atmosphere and amid such traditions our deliberations will be carried on under the most favourable and happy auspices.

It is an honour, a privilege, and a pleasure to attend this Fourth International Congress on Accounting. I had some part in the first Congress in St. Louis in 1904; in Amsterdam in 1926, and in New York in 1929. Not one of them would have been a success had it not been for the British attendance and participation. When we very properly speak of the 1904 Congress held in St. Louis as the First International Congress on Accounting, we must not forget that it was a British accountant—George Wilkinson—who first thought of it, who organized it, and who made it a success. Perhaps he was influenced by the land of his adoption, but those of us who knew and loved him well recall that he never lost his pride in British traditions which he so well exemplified. In the years immediately following, Sir Arthur Dickinson was a tower of strength in directing the ethics and practice. He is here this evening. (Applause.)

I am not sure that in St. Louis and in New York the British delegates always wanted to attend the almost continuous and highly technical sessions usually held in terrifically hot weather (and they always wore too many clothes), but they were such thoroughly good sports that they never dreamt of letting their hosts down. Their energy and interest were unbounded. They discussed every sub-

ject. They were always sure that they were right, and sometimes they were! I am afraid that the delegates and visitors at this Congress will not do half so well, but we do not have their reputation to sustain.

I have come to the conclusion that a nation is great in direct proportion to the number of professional accountants within its borders. Go to any place you like in the world, and there you will find the British accountant. Visit England, and you will find him represented in all that has made Britain great. And this goes on even though you have a most terrible climate and you wear too many clothes in hot weather.

There may be an over-production of pretty much everything throughout the world, but there has been no over-production of professional accountants in England or in the United States.

It is not surprising that the World Economic Conference is about to adjourn. Their problems, national and international, as they saw them, were insoluble, but they would have been more nearly solved if accountants had been permitted to resolve all questions into debit and credit. England would be proud of the result. You have more and bigger credits than you have debits. Your debits are so few and so small that we hardly bother to mention them. Although I should refer to the corrections you made in the spelling of some of the words in our papers, I am sure that you are wrong, but all I did was to moan softly to myself and let it go at that. The balance of these debits and credits in your favour would be so large that it would astonish you, even though you have an extremely good opinion of yourselves.

Internationalists are not popular today. Trade and race barriers and prejudices are being built up faster than they are being torn down. Accountants have had no part in their building up; they would like to have a part in the tearing down. They could settle the question of currencies, tariffs, war debts, and reparations by again applying their inexorable principles of debit and credit. It is hardly necessary to prophesy how England would come out in the balance. You would not need to have a single British accountant to make, nor to audit, the entries. You could choose the accountants by lot from any country in the world, and the result would be the same. The honour and the integrity of the British nation, as carried round the globe by the British accountant, have left an indelible impression of fairness, honesty and righteousness, and as you have dealt with others so others will deal with you.

All over the world the British accountant has been found—and for what purpose? It has been to seek the truth, and when it is known that what you want is the truth, the whole truth and nothing but the truth, the seeker of the truth justly acquires a reputation for fair play and honesty in his dealings with his fellow men.

This truth I have referred to has dealt chiefly with production, distribution and consumption of tangible rather than intangible things: but when the

British went on decade after decade striving to ascertain nothing but the truth in respect of tangible things it becomes easy to understand why it is that in what we call the finer things of life—religion, the arts, sciences, politics—the British have sought and still seek the truth. They do not believe that any living man has a monopoly of brains or genius, but that the human race is still so fallible that we must keep on seeking the truth about every subject until we find it, and that in the meantime we must have open minds.

I have said that all over the world you find the British accountant. You can always tell a British accountant, but you can't tell him much!

May the British accountants continue to carry the proud banner of Britain throughout the globe and continue to give us, who live in better climates and who wear fewer clothes in the summer-time, an example of high thinking at all times, courage when it is most needed, and friendship which is as genuine and as tight and as right as your little island has been and always will be.

We thank you for your cordial greetings and for your boundless hospitality. Our respect and affection for British accountants, which needed no acceleration, nevertheless has been broadened and strengthened. We hope to come again. (Applause.)

## The Importance of Cost Under the NRA\*

By FREDERICK J. KNOEPEL

(Los Angeles Office)

It was plain from the beginning that the NRA would have an important influence on production cost generally and that it would put a new emphasis on cost competition. It was clear too that all this would dislocate to some extent the competitive positions of many business houses.

The mere shortening of hours to a relatively uniform number and the setting of minimum wages would cause such a dislocation, simply because the old hours and wages had not been uniform to a similar extent. Your pay roll may have been increased only 20 per cent by the NRA code, while the pay roll of your competitor may have been increased 40 per cent, or vice versa.

However, we cannot object to such disproportionate increases. They indicate that certain manufacturers enjoyed the competitive advantages of low labor cost simply because they ran their shops on longer hours and paid smaller wages.

It may be righteous enough to say it was wrong for any concern to have such advantages of longer hours and lower wages; that labor should no longer be forced to bear the burden of competition in business. However, in some cases the manufacturer who ran longer hours at lower wages (often in rural communities) had to pay out more for freight and for other things than his competitor had to pay. And now, in order to regain his old competitive position that manufacturer

must reduce other items of cost or else he must push up his efficiency, or suffer losses, or quit business.

Such dislocations are the result merely of the basic codes of hours and wages. Still these dislocations indicate what I mean to talk about principally—that this NRA is going to make cost competition terrifically intense.

And every business faces three steps which it must take in this cost competition. The first step is to keep down rising costs (particularly on materials), the second is to lower other costs by adjustments in capital values (where this is warranted) or by changing business policies, and the third step is to seek still greater efficiency through technological facilities and through methods of production control.

This new cost competition is brought about, not only by the basic codes of hours and wages but also, and to an even greater degree, by the voluntary codes of fair competition which industry is writing for itself.

An examination of the fair trade practice codes so far written by industry and so far approved by the President discloses that some codes do not mention cost at all. Others provide for fixing minimum prices, if the prices set do not include anything for profit. Still other codes stipulate against selling below cost, usually with some modifications tacked on to that provision. However, not one of these provisions can stand alone as a model, because the question of its practical value can be answered only after considering the peculiarities of the specific industry.

\* An address delivered before the Manufacturing and Industries group of the Los Angeles Chamber of Commerce.

Two general statements can be made safely. One is that industry faces a new competition in productive efficiency and in cost reduction,—brought on by the two factors I have already mentioned (the greater uniformity of hours and wages), and by two other factors: The general recognition on the part of industry that industry is overequipped, and the general application of collective bargaining,—which will do much to offset the so-called merit system of dealing with workers. But that is not all; there is also the question of sales prices, which apparently may be seriously restricted.

I am sorry I have not the time to deal with the influences on efficiency and on cost of each of these factors. Briefly, I see that the need for further efficiency will be realized by increasing the effectiveness of what I like to call the organized means of production and not by looking for any further increase in the productive efforts of labor.

I have digressed perhaps a bit for the sake of emphasizing that when we talk about codes of fair competition we are apt to make the error of stressing the factors of sales competition too much and of not considering sufficiently the question of cost competition.

Suppose that a minimum price has been set under a certain code and suppose further that this price equals the average cost in the industry. There will of course be some manufacturers with costs below the average who could sell at the minimum price and still make some profit. And that is a positive danger, because this minimum must of necessity be a matter of public or consumer knowledge, and I think we must then recognize the probability that the actual price will not go very

far above the minimum, which in this illustration would be the average cost of that industry.

If that is true, it is also obvious that some manufacturers may have costs above the average to an extent which exceeds the difference between the actual and the minimum prices;—and sales by these manufacturers will be made either at a loss or without any profit,—until they reduce their costs; and when they attempt to reduce their costs they encounter the four factors I have previously mentioned. All this emphasizes the conclusion that industry can earn profits only by virtue of efficient management.

That remark applies also to industries which do not fix minimum prices. The indications seem to be that the Consumers Advisory Board of the NRA will continue to interest itself in the relationship of cost to price, and will possibly make the relationship a matter of public information.

With profit margins held down in that way the competition for cost reduction must become intense. To add to this intensity some codes stipulate against selling below cost. There again the cost to one manufacturer may be more than a fair profitable price to some other manufacturer; and then we have an even greater potentiality for cost competition, because the manufacturer with a high cost will, under such a code provision, be fighting to get his cost down for the mere right to sell competitively, and not merely to save himself from suffering losses which he may have the ability to absorb for a time.

If anyone has the ability to absorb such losses for a time he should be allowed to do so—at least long enough to give him a chance to push up his

efficiency or cut down his cost. Every man should have a fighting chance in this new deal—in this new cost competition.

Now, the other general statement I wanted to make is more cheerful perhaps, because it has to do with something which can be utilized to make this intense cost competition stimulating and constructive, something that can be used to keep viciousness and destructiveness out of our coming competition in cost reduction;—and this something is so simple that nearly everyone will at first say that I overstate its importance. But there runs through all the NRA codes and discussions an undercurrent of thought which in effect recognizes something which has been fostered for a good many years by some leaders in business, by some leaders in cost accounting, and by some leaders in trade association work; namely, that it is unfair competition for any business to conduct its affairs on an unintelligent basis.

In other words, any business that operates without adequate knowledge of its costs is indulging in unfair competition. One of the approved codes says so specifically, and we have apparently come to the point in our sense of social responsibility where doing business is to be regarded as a privilege; and where the privilege of doing business is to carry with it an enforceable obligation to conduct that business intelligently. And such an obligation cannot be carried out to the fullest extent unless every plant of each industry operates under a system of uniform cost finding.

The code I referred to a moment ago is that of the Salt Producers, and here is what it says:

"It is the judgment of this industry that an accurate knowledge of costs is indispensable to intelligent and fair competition. It shall be the duty of the Code Committee to make such studies and surveys as may be necessary to the end that a system of cost accounting, capable of uniform application shall be developed for the industry."

Now, uniform cost accounting sounds like a formidable and inelastic thing, but it should never be anything but simple and flexible. It should be uniform only in broad essentials and the fewer the essentials the better for the success of the uniform cost plan. One illustration of both the primary object and the simplicity of a uniform plan is that of a writing tablet association as it functioned 12 years ago,—and it functioned quite effectively. Although I could speak of this from my own experience, I prefer to give the words of the secretary of that association, Mr. Naylor, who was also identified with other branches of the paper industry and who wrote a book on trade association work in 1921.

Mr. Naylor said, "A good illustration of simple methods of obtaining costs is that used by an association of tablet manufacturers. This method consists of a simple estimate sheet. The problem that confronted the association was that of inducing each manufacturer to include in his estimates all necessary items of cost. After an investigation of the industry by a cost accountant, it was found that the steps were very simple."

And Mr. Naylor was not writing about a relatively simple industry. In fact, I do not recall now that there were any members in that association who did not also make commercial and fancy stationery as well as writing

tablets. A further problem, therefore, which Mr. Naylor does not mention, was the allocation of overhead expenses among the different products on a like or uniform basis in all the member plants of that association. The primary object of the cost plan was clearly to eliminate or minimize unintelligent price competition,—the self-same objective which today is being sought through the NRA codes of fair competition.

But there was a secondary objective, the fostering of intelligent cost competition, and this developed from the exchange of cost information. The operating costs of each plant were determined periodically and listed comparatively, each plant being identified by a number instead of by name. Each member of the industry then received the complete comparative statement and could see how his operating costs compared with the costs of other manufacturers.

That sort of thing fosters a healthy kind of cost competition; it tells each executive where he stands in the industry and it either reassures him or it puts him on *notice* as to where he is weak. And no executive is going to sit by and see himself given a low rating in production economy month after month. He is going to make a determined effort to move toward the top. But someone must always be last on any list—and therefore the exchange of cost data will be a constant and a never ending stimulus toward finding new ways of reducing cost.

But here is a question which persists today in some minds as it did in others years ago: Why should those who were in first place in production economy lend themselves to such an exchange of cost information? Why

should any manufacturer let his competitor see his costs regardless of the fact that his identity is withheld from that competitor?

I have heard that same question asked and I've heard it answered repeatedly in the industrial sections of this country. I am going to suggest the same answer with an illustration from my own experience.

We had been handling the exchange of cost information for a certain industry for some time when the man who seemed to be occupying a permanent position on the bottom of the comparative cost report asked us to help him reduce his costs.

Among other things we revolutionized one process in his plant. In this instance his plant was the laboratory for that industry. This executive had become tired of being behind everybody else in productive economy, and every member of that association was glad to see this member pull into a leading position.

And why? Simply because they had learned to recognize that the best kind of a competitor to have (in the long run) is the one who knows how to make a good profit on a reasonable amount of business. Such stimulation of cost reduction in any industry means of course a stimulation toward profit making, toward the reduction of debt and toward the accumulation of surplus earnings for all members of the industry. And the purpose of exchanging cost information is simply to make better competitors.

But it does not follow that every industry can profit equally by a similar use of uniform accounting. The best results in collecting and disseminating cost data are naturally obtained in industries consisting of relatively few

members. The stimulus of competition in cost reduction requires a reasonable limitation on the number of plants included. That does not mean that industries composed of numerous members should not undertake such activities, but it does mean that such industries should be broken up into groups, —arranged geographically, or by volume, or according to some basic divisions.

We could spend considerable time on a discussion of the benefits of uniform cost accounting, but I think that our interests run also to a consideration of a few specific codes.

The Ship Building Code for example says it shall be unfair competition "To sell any products or services below the reasonable cost of such products and services." That provision by itself always sounds to me like a hollow stock phrase stuck into a code simply because somebody said something ought to be done about selling below cost, without knowing just what or how it should be done.

And it was admitted during the hearings on this code that enforcement of the provision against selling below cost would be difficult; still it was contended that the industry felt the provision would have an influence in promoting better accounting methods and that it would improve the competitive situation throughout that industry.

Of the industries which are now under approved codes, this shipbuilding industry comes nearest to presenting the problems of contractors generally, and I want therefore to inject a thought at this point: the best way to improve the accounting methods and the competitive situations in such industries, aside from the adoption of uniform cost accounting, is in the or-

ganizing of independent clearing agencies (wherever feasible) through which all important lump sum bids would have to pass. Such an agency would be authorized to return (for revision within a short period) any bids found to contain serious mistakes. Surely every contractor has knowledge of cases where mistakes in lump sum bids went undetected until the contractor was bound to a contract which could only mean serious loss to him.

There is nothing new or complicated in the idea of a clearing agency for bids. The idea of comparing and high spotting bids as to accuracy and completeness was worked out satisfactorily ten years ago by an accounting firm for a group of concerns which found that the plan worked to the profit of all the members and to the stabilization of that industry.

I cite this to emphasize that certain industries or groups should write a code provision for the clearing of bids instead of resorting to a useless prohibition against selling below cost. I said useless because no effective law can be passed, through codes or otherwise, prohibiting a business from making errors in its estimates.

One industry which should not be overlooked in any discussion of "cost under the NRA" is the lumber industry.

The code of this industry has frequently been cited as indicative of the NRA's willingness to permit price fixing. Actually it indicates its unwillingness to do so generally. It was asserted at the hearing on the lumber code that in no case should profit be an element of a minimum price fixed by governmental authority. The provision in the lumber code is not a price fixing but a cost protecting provision.



It provides for establishing minimum prices to protect the cost of production.

In most industries any provision against selling below cost is unnecessary if production is properly controlled. Still at the hearing on the lumber code it was asserted that in the case of lumber demoralized selling below cost would probably occur even when the volume of production is controlled. The reason is that the cost problem is peculiar. Many items of lumber are produced from one log, some of high value, others of low value, and small lumber mills are seldom capable of arriving at a schedule of prices (for different items) which will aggregate the cost of manufacture.

Another factor of importance in the lumber industry is that it involves the public interest in the matter of natural resources and their conservation, and one reason advanced at the hearing for allowing a minimum price provision for this industry, was that such a price provision would further the conservation of standing timber and make possible the industry's program for reforestation.

The cost protection provision of the lumber code shows an intelligent and comprehensive treatment of the cost question for that industry. As stated in the code: "Cost of production for each species . . . shall be allocated to the several items or classifications of lumber or other products thereof . . . but the weighted average minimum price of all items and classification of each species shall not be more than the cost of production nor less than said cost after deducting the capital charges specified." The items specified are depreciation and standing timber (stumpage cost) carried in the capital account.

It is obvious, therefore, that this code does not contemplate permitting in the minimum price schedules any charges for excessive plant or timber costs, for it defines permissible depreciation to be on a straight line basis, on fair value or cost, whichever is lower, and it defines as permissible timber cost a current fair value without regard to greater original cost, higher book value or accumulated carrying charges.

One other code of peculiar interest to Southern California is the Petroleum Code and I am therefore going to read the first part of rule number 4 of the marketing provisions of that code. "Refiners, distributors, jobbers, wholesalers, retailers, and others engaged in the sale of petroleum shall not sell any such refined petroleum products below the cost of manufacturing or importation into the state where offered for sale, plus reasonable expenses in the cost of marketing as observed under prudent management."

Here we are confronted with the question of what constitutes reasonable expense under prudent management. Who is going to say what is reasonable and what is prudent?

I have a very pronounced conviction that provisions against selling below cost are for the most part (but not in all cases) either ill-advised or futile. The object is doubtless to eradicate malicious price cutting, but very few codes specifically declare against price cutting as being an act of unfair competition.

They seem to rely rather upon making the fact of selling below cost evidence in itself of destructive price cutting, or else the provision against selling below cost has been inserted merely for its moral effect.

Still it must be obvious that malicious price cutting does not necessarily depend on selling below cost; any manufacturer who is favorably situated to earn substantial profits as against the outlook for only meagre profits on the part of his competitors can engage in malicious price cutting by the very safe and simple process of reducing his profit margin temporarily.

It seems to me therefore that we should be stipulating against selling below reasonable price instead of stipulating against selling below reasonable cost. And it is no more difficult to determine a reasonable price than it is to determine a reasonable cost. We are coming I think to a very definite acceptance in our economic thinking of the proposition that price and profit must bear a reasonable relation to cost and that price and profit should not depend alone on the condition of the market.

If we were to consider very carefully the statement I have just made we would, I think, reach the conclusion that in seeking such a reasonable cost as a basis for determining reasonable price we would have to consider average cost within the industry as a whole and not the cost in the specific plant.

In other words, it is a matter of my own individual fate whether I fail to sell at a price sufficient to protect my cost; but it is a matter of public concern and a matter of interest to my competitors that I should not sell my product at a price which will not protect their average costs—provided the average is reasonable.

Only one code so far approved stipu-

lates against selling below a reasonable price, and that is the Bituminous Coal Code, and here is what it says:

"The selling of coal under a fair market price is hereby declared to be an unfair competitive practice and in violation of this code."

After considering for many years the business and competitive problems surrounding cost accounting in all kinds of industries, I am satisfied that the following five major things are needed to stabilize industry over a long-term period:

First—The basic codes of hours and wages, properly coordinated between competitive industries,

Second—Control of industrial activity to prevent overproduction and overexpansion.

Third—Uniform cost accounting in every industry, together with the collecting and distribution of comparative cost information,

Fourth—An industrial policy under which product will be sold at a reasonable price based upon reasonable average costs in the industry.

Fifth—Protection of domestic industry against destructive foreign competition, especially that from countries having a much lower standard of living than that in the United States.

And, in closing, I want to suggest that if my contentions are correct the success of the NRA depends a great deal upon what we do with this question of cost,—both from the standpoint of the attention which management gives to costs, and from the standpoint of the development and use of uniform cost accounting.

The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. & Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvements; to encourage and maintain a proper spirit of cooperation and interest and to help in the solution of common problems.

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## Federal Tax Handbook

A revised edition of the Federal Tax Handbook by Colonel Montgomery is expected to come from the press during December, 1933. A new edition of the book seemed called for because of the many changes resulting from the passage of the National Recovery Act during the year 1933, as well as the numerous rulings and court decisions dealing with important principles handed down during that year.

The following announcement of the publisher describes the scope and character of this latest edition to the series of tax books which have come from Colonel Montgomery's hand:

The Revenue Act of 1932 has proved full of complicated and thorny problems, causing taxpayers and tax practitioners hours of toil and anxiety.

Application of the law has been materially altered during the past year by new Treas-

ury rulings, new court and Board of Tax Appeals decisions. Some of these are making new history. An individual taxpayer or corporate officer can not hope to familiarize himself with all the details of even the important decisions and rulings which directly affect his return.

Many provisions under the law as it stands are frankly experiments; and this applies with special force to the amendments and new taxes provided in the National Industrial Recovery Act passed in 1933. Not even the government can tell with any certainty the effects or constitutionality of these provisions. The endless litigation resulting from the wartime profits and income taxes seems about to be repeated.

At no time have taxpayers been more in need of wise protective counsel. The time for such counsel is *now* and not *after* action has been taken, and policies carried out which result in avoidable tax burdens.

Montgomery's *new* FEDERAL TAX HANDBOOK 1933-34 furnishes an expert analysis of the law and its application which will make it possible to prepare returns intelligently, and to take positive steps to protect the taxpayer against excessive exactions.

## Twenty-sixth Annual Conference on Taxation\*

By E. E. WAKEFIELD  
(*Boston Office*)

The Twenty-sixth Annual Conference on Taxation under the auspices of the National Tax Association was held at Phoenix, Arizona, on October 16-20, 1933. Over four hundred delegates and visitors from 32 states and the Territory of Hawaii were present.

The subject of greatest general interest considered at the conference was state sales taxes. At the meeting in 1932 it was evident that sales taxes were likely to be seriously considered by state legislatures in the 1933 sessions which were held by nearly all of the states. Even so, it was probably not fully realized a year ago to how great an extent need of revenue, in some states desperate need, would lead to search for and adoption of new tax sources. Many states turned to some form of sales tax, and after the 1933 sittings of the legislatures at least 14 states had joined the ranks of those imposing state sales taxes. The rates run from a fraction of one per cent. to as high as three per cent. on some sorts of sales. In order to avoid unconstitutionality because of discrimination, it has been necessary in some states to make the tax applicable to all sales of the same general class. For example, Illinois had to pass two laws this year because the first, which exempted gasoline and farm products, was held unconstitutional and a new

law without these exemptions was necessary.

Most of the state sales taxes are frankly consumers' taxes on the ultimate sale to the consumer, with the expectation that they will be passed on either through express addition of the tax to the sale price or through uniform revision of prices to include the tax. In states like New York and Pennsylvania the tax was made temporary, but in many states the shrinkage in revenue from the general property tax and the desire to reduce the burden on real property have tended to increase reliance on such a tax and have led to the formation of a considerable body of legislative opinion favoring a sales tax as a permanent addition to the tax system of the state, on the alleged ground of necessity. Immediately, however, problems arise which will test the fitness of this form of taxation to serve the states. For example, in the thickly populated states with purchasing centres near state boundaries, if one state has a sales tax and the adjoining state has none or less, a very serious discrimination against dealers in the state imposing the tax, or a higher tax, arises because purchasers will go over the state line and try to avoid or reduce the tax. Again, since sales in interstate commerce cannot be taxed by the states, it is perfectly simple to avoid the state sales tax by mail order purchases or other forms of purchase outside the taxing state. Moreover, "bootlegging" sales of largely purchased commodities

\* *Editor's Note:* This article is not intended to reflect the firm's opinions relative to the taxes discussed. From time to time we have published articles discussing tax principles, and presenting reasons in favor of, or opposed to, existing or proposed taxes. The present article does not fall within this category, but is of the nature of a news report rather than of editorial comment.

are certainly made in great volume in sales tax states.

Some ten or more years ago when there was much agitation for a general sales tax the best tax minds of the country seemed pretty well agreed that a sales tax was not a sound tax from the economic standpoint. One great objection offered was that it amounted to a gross receipts tax, regardless of ability to pay measured by net income of business, unless it was passed on to consumers; but if it was passed on, it imposed the chief burden on the masses of the people least able to bear it. It is a very interesting commentary on the effect of changes produced by the present depression that, whereas at the present conference no one suggested that the tax is any better in principle now than it was ten years ago, yet no one seriously questioned the fact that, as things are, and with the unprecedented pressure for new revenue sources, there is a distinct trend toward trial by the states of sales taxes, either as temporary or permanent parts of their revenue systems.

The increasing number of state sales taxes has tended to bring the question of a federal sales tax to the fore in a new form, and in the minds of many the question seems to be not between a federal sales tax and some other forms of taxation, but between numerous state sales taxes and one federal sales tax. Undoubtedly a federal tax would avoid many of the difficulties of numerous state sales taxes. It would not be concerned with the distinction between interstate and intrastate commerce. It would be much less expensive to administer. "Bootlegging" could be more effectively controlled. Hence the proposal which took the form of a resolution considered by the

conference that Congress impose a sales tax but give one-half of the proceeds, or some substantial part, to the states. But such a proposal leads swiftly to the old, old question of the relation of the federal government to the states.

Many instinctively fear to give the federal government any more opportunities to influence or control the states than it already has. And, of course, unless the passage of a federal sales tax were coupled with provisions making it impossible for states to duplicate the tax, the result might be simply one additional tax, so that there would be both state sales taxes and a federal sales tax. After some very spirited debate the conference voted to refer the matter to a committee to be appointed to consider the fiscal relations of the state and federal governments and decided to take no action, until such a committee can report next year, on the advisability of handing over this form of taxation to the national government for administration on behalf of the states.

The subject of control of public expenditures was again considered at this conference, but it was recognized that adoption of sound general principles of budgetary control and proper assignment of revenues to different taxing authorities is most difficult in the present time of extraordinary demands for welfare work and public support of the unemployed. It was emphasized that, although as never before our communities are studying their tax problems, there is a real danger that present abnormal demands may lead to the adoption of vicious methods of taxation and distorted conceptions of public obligation to raise revenue, unless the sanest of our lead-

ers exert continuous influence to curb unwise action.

Certain more detailed subjects of tax procedure were considered at sessions of the conference. For example, much discussion was given to the question whether gasoline taxes should be permitted to become a source of revenue for general purposes and not merely, as when first adopted, for road building and maintenance. It was generally recognized that with federal, state, and in some instances, local taxes on gasoline, this commodity has been burdened out of all proportion to the price of the commodity before addition of the tax. In some instances the tax burden is nearer 100 per cent. than 50 per cent. of the cost of the gasoline without tax. This is a condition that obviously leads to limitation on, and even reduction in, the use of the commodity with consequent revenue reduction, or increases in yield not nearly in proportion to the increases in rates.

Opinion in the conference was sharply divided as to whether, even though there be no constitutional prohibition, taxes on motor fuels should be made the source of general revenue and not limited to use for roads. As so many states have largely completed their main road building commitments and all are so sorely pressed for revenue, it seems that there will be increasing pressure toward subordination of the theoretical question, as to the justice of taxing automobile users for general purposes, to the exigencies of the moment. There will probably be an increasing tendency to view the matter from a so-called practical angle and to convert to general funds of the states the large amounts that so readily flow from gasoline taxes. The further question of use of gasoline taxes to

equalize the burden of transportation over the highways by trucks and rail transportation was considered. The railroads have in many instances found themselves in the unhappy position of contributing revenue through property and other taxes to the construction of roads, the immediate effect of which was to take away freight revenue and put it into the hands of their trucking rivals.

A result of study by a committee appointed a year ago to consider taxation of business, particularly that done by corporations operating in more than one state, was the adoption of a resolution favoring the so-called Massachusetts formula for allocating income of business between states. Briefly described, this is the method by which income from business operations, as distinguished from interest, dividends and other non-operating income, is allocated by dividing the income into thirds and then allocating one-third in the proportion of tangible property within the state to total tangible property, one-third in the proportion of wages and salaries paid in the state to total wages and salaries, and the remaining third in the proportion of gross receipts (sales, rents and royalties) within the state to total gross receipts. This form of allocation is recommended not because it is ideal, since no allocation can be fully accurate, but because it is already in use in four states, because in general it avoids taxation by the several states together of more than the whole income and because for over ten years it has been used with reasonably satisfactory results in Massachusetts. It is recognized that the taxing authorities must have general power to modify the allocation method in particular

cases in which it is found to work material hardship.

An important matter considered at the conference was a second report, rendered some fourteen years after the first report, by a committee on a "Plan of a Model System of State and Local Taxation." The original report in 1919 is considered perhaps the greatest contribution in recent years to the orderly development of state and local tax systems. The new report was accepted for study by the Association, and others, with arrangement for thorough and critical consideration at a session for the purpose in the next conference, to be held in 1934.

Attention is called to the great body of valuable information on all sorts of tax subjects contained in the proceedings of the National Tax Conferences which are available without extra charge to all members of the Association.

At the final meeting of the conference Alfred E. Holcomb, Assistant Secretary and head of the tax department of our client, the American Telephone and Telegraph Company, was elected president of the Association. Mr. Holcomb has for many years been the most active spirit in the Association and as a former secretary has kept the Association to its high standards of scholarship and disinterested study of tax problems and to support of measures and principles only after adequate consideration and substantial unanimity of opinion of the conference thereon. He is believed to be a model for the country of the best kind of tax counsel for private business.

Incidentally those attending the conference from many parts of the country had a new opportunity to see how conditions of business and life in a region like Arizona differ from those in, let us say, New England, and yet to realize, as we must for our common good, the essential similarity of our people throughout the country in their views of, and reactions to, common problems. In spite of regional friction, we continue to be not a divergent group of loosely joined state sovereignties, but essentially one people.

#### **Fourth International Congress on Accounting**

*(Continued from page 4)*

grounds and the charming house, a portion of which was built in the time of the Tudors, afforded an ideal setting for the party. Excellent music, pleasant contacts, ample refreshment, and above all the gracious reception of the guests by Lord Plender and his lady combined to make it one of the most delightful of the many enjoyable events provided for the visitors from abroad.

Friday evening, with its concluding social event of the grand ball, came only too soon. Again it was an occasion of much enjoyment, with dancing and good fellowship accompanied by excellent music and a luxurious buffet supper. When the hour of three struck, and it was time to disperse, it was with a feeling of keen regret on the part of all who had attended it that another international congress on accounting—"the best yet"—had passed into history.



## Notes

The following excerpt is taken from the report of the Librarian of Columbia University for the year 1933:

Among the 36 books and manuscripts added to the Montgomery collection in the School of Business library during the year have been some very interesting items: the report initialed by Stephen Montague (1623-87), auditor, the publishers' statement relating to sales and stocks of Meredith's works, the account book of William Crockford of Lewes, with its reference to the Shelley family, and the freight book of the Hudson River sloop, *Catey*, 1791-94. With interest in the subject of accounting history becoming more apparent, the time seems appropriate for filling in gaps in this collection and for making it unquestionably the finest in this country.

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Mr. Ross has been elected to the Board of Directors of the Better Business Bureau of Philadelphia, Inc.

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Mr. Staub's election to the presidency of the New York State Society of Certified Public Accountants has led to an extension of his usual activities in the way of addresses to professional and business organizations. On September 21, during the annual meeting of the American Society of Certified Public Accountants in Milwaukee, he presided at a luncheon meeting of state society officials and committeemen and presented the reasons for the unification of the profession in one national organization of accountants. The federal Securities Act of 1933 formed the subject of an address to the Massachusetts Society of Certified Public Accountants on September 25. On the 29th of the same month he attended the annual meeting of the Ohio State Society of Certified Public Accountants and spoke on the

Fourth International Congress on Accounting.

Upon conclusion of the annual firm meeting, which was this year held in Chicago on October 9 and 10, Mr. Staub accompanied Messrs. Peter, Moss and Arthur to Dallas, paying a brief visit to our office there and addressing a dinner meeting of Dallas accountants at the Dallas Country Club. From there Mr. Peter and he went on to Houston to attend the annual meeting of the Texas Society of Certified Public Accountants. There Mr. Staub spoke at one of the business sessions and was also one of the speakers at the annual dinner of the Society in the evening.

At New Orleans Mr. Staub attended the annual meeting of the American Institute of Accountants. He had the opportunity of presenting to the Council of the Institute the desirability of the unification of our profession in one national organization; also, he introduced the discussion of the paper of Professor A. A. Berle, Jr., on "The Public Interest in Accountancy."

On the way home from the Institute meeting, Mr. Staub stopped at Atlanta to address the Atlanta Chapter of the Georgia Society of Certified Public Accountants on the Fourth International Congress on Accounting and the future prospects of the profession in our own country. He made another stop at Athens, Ga., to address the School of Commerce of the University of Georgia on the federal Securities Act.

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The following is taken from an account in the *N. A. C. A. Bulletin* of the September meeting of the Cleve-

land Chapter of the National Association of Cost Accountants:

Robert E. Warren, Manager of the Cleveland Office, Lybrand, Ross Bros. & Montgomery, followed with a talk on "The Social and Economic Aspects of Government Control of Industry." His talk abstracted briefly was, "We too often overlook the fact that the N. R. A. planning covers only one phase of the whole recovery program. The principles involved are largely included as socialization of industry. Startling as this fact is, when we face it, and whether we like it or not, this plan is bound to become woven into the warp and weave of our business in a permanent way. As this fact becomes more obvious, we should pitch in and do our individual best to support the whole program."

"Under the new era, the accountant is going to be called upon to solve involved equations and compilations under the very difficult situation that his ability to do this is going to be substantially over-evaluated. The public, the politicians, legislators and N. R. A. executives all have an almost childlike faith in the capacity of the accountant to get a simple, easily understood financial statement out of the most elaborate, involved and complicated set of figures. Hence we must be careful not to have ourselves oversold beyond our capacity to perform and thus get a black eye to start with. We must educate the public to our limitations as well as our capacities."

Mr. Warren also addressed the September meeting of the Pittsburgh Chapter of the Association, his subject being the "Statutory Standardization of Accounting."

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Mr. Arthur of our Dallas office read a paper before the fourth annual meeting of the Texas Bankers Association, Audit Section, at Houston, Texas, on "New Capital Stock Tax and Excess Profits Tax under the N. I. R. A."

Messrs. R. E. Nevius, J. O. Phelps and L. H. Rappaport of our New York office have successfully passed the examination for Certified Public Accountant of the State of New York.

Mr. H. E. Bischoff of our New York office read an article on "The Effect of Section 23 (r) (s) and (t) of the 1932 Revenue Act on Traders or Dealers in Securities and Other Taxpayers" at the regular monthly meeting of the New York State Society of Certified Public Accountants held at the Waldorf-Astoria on November 13, 1933.

Mr. Stephen B. Ives, manager of our Atlanta office, Mr. Eugene G. Boutelle of our Boston office, Mr. Joseph J. Pugh of our Philadelphia office, and Mr. Merle A. Yockey of our Detroit office were recently admitted to membership in the American Institute of Accountants.

Mr. F. J. Knoeppel of our Los Angeles office delivered three addresses on phases of the National Industrial Recovery Act during October. On October 3 he spoke before a joint meeting of the Inglewood Chamber of Commerce and the Rotary Club, on October 9 he addressed the Los Angeles Chamber of Commerce (the address appears at page 9 of this issue of our JOURNAL), and on October 26 the Los Angeles Society of Industrial Engineers. Mr. Knoeppel has been appointed to the National Industrial and Economic Stabilization Committee of Industrial Engineers.

## The Banking Panic of 33 A.D.\*

By RICHARDSON WOOD

Exactly 1900 years ago the whole Roman world, embracing the shores of the Mediterranean and most of western Europe, was shaken to its foundations by a widespread panic.

Trouble began with the failure of two large commercial houses. Seuthes & Son of Alexandria, already caught with large depreciated inventories of ostrich feathers and ivory, lost three spice ships. The well-known purple dye house of Malchus & Company, centered at Tyre and with factories at Antioch and Ephesus, declared itself bankrupt.

A depositors' run started on two large banking houses of the Via Sacra (the first century Wall Street) which had financed these concerns. Both were closed.

A more serious condition prevented a localization of the crisis. In an effort to aid the farmers, the government had decreed that every capitalist was to invest a portion of his funds in farm lands.

The quick liquidation of assets on a large scale which this program required caused havoc. Another large bank in Rome suspended. The great Corinthian bank of Leucippus' Sons became insolvent. Carthage and Byzantium reported bank closings; two banks in

Lyons were "rearranging their accounts," as the euphemism ran. Auctions dotted the countryside. Creditors and debtors were alike desperate. Prices of farm land, instead of being helped as the law contemplated, were reduced to unheard of levels. There was a widespread hoarding of money.

Finally the Government acted. The unwise farm relief law was repealed. A large fund was set up by the Treasury, from which loans were to be made without interest on adequate collateral.

"*Sic refecta fides*," says the historian Tacitus, "thus was confidence restored."

Not so many years later, during one of the greatest eras of prosperity the world has ever known, an immense hoard of money was discovered under the house of one Atticus, near Athens, then a Roman province. Atticus, finding the fortune too great to spend on himself, used a large part of it on public works. He interested the Emperor Hadrian in aqueduct building, and when the charges on one proved to be double the estimate, he paid the difference.

It is of interest to us that one of Hadrian's aqueducts at Athens is still in use, having been recently repaired and extended by a company with which Stone & Webster is affiliated.

\* Reprinted from *Stone & Webster Bulletin*.

# WHAT THINGS COST

*Quotations are cash prices in primary markets as reported in New York Herald Tribune*

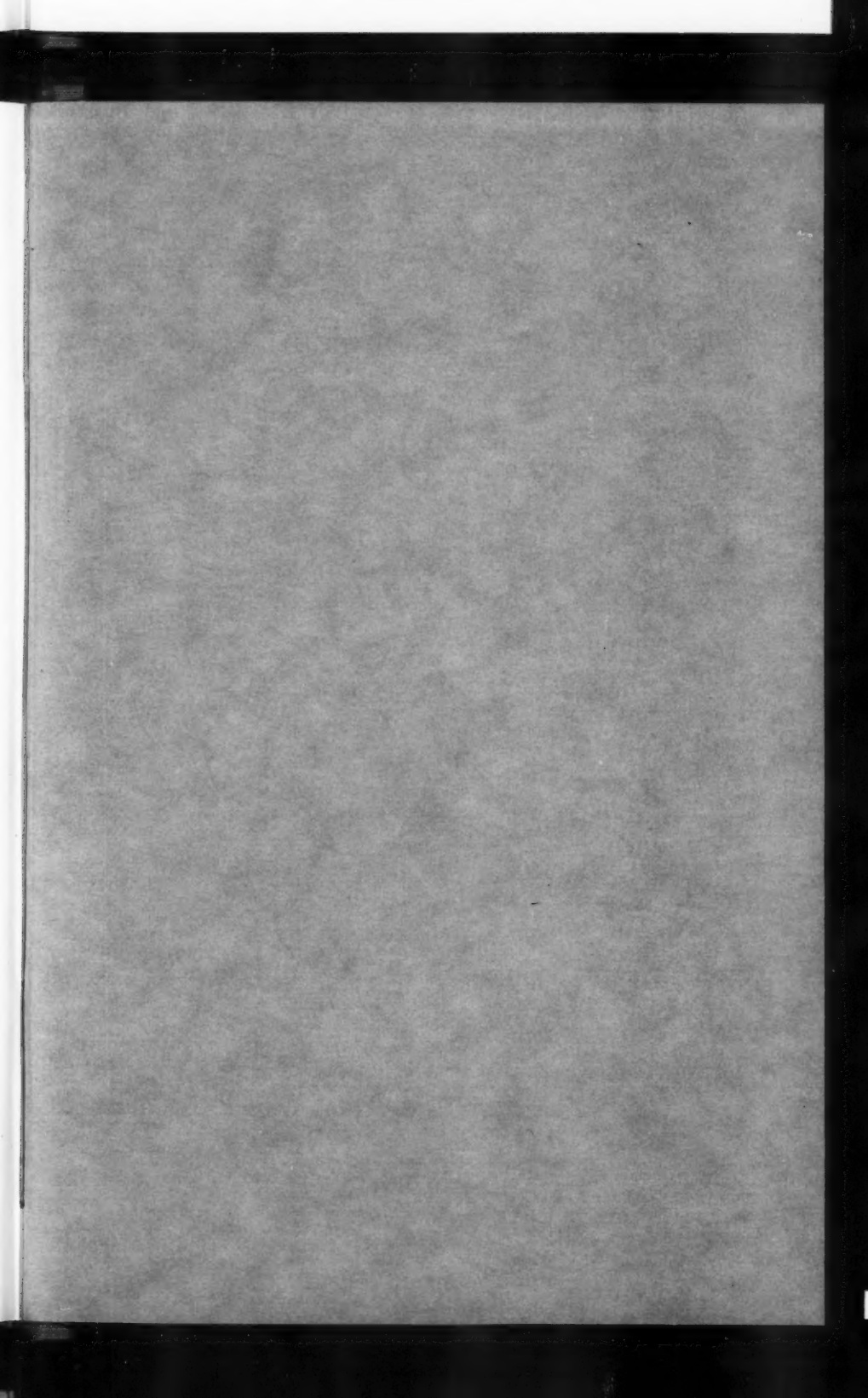
The following table is of interest as showing the range of commodity prices over a period in which major changes in the price level occurred. The 1933 prices are quotations of November 21st; the 1929 prices are those of March 4th; 1920 was the post-war year in which prices reached their maximum and in which the tremendous deflation of prices occurred; 1913 was the year immediately preceding the outbreak of the World War and its prices may be considered as normal ones in the preceding economic era. It is interesting to note the wide range in 1913, a year of relative "normalcy."

	1933	1929		1920 Range		1913 Range	
	\$	\$	\$	High	Low	High	Low
<b>FOODS—</b>							
Wheat (No. 2 hard, N. Y.), bu.....	1.06½	1.397½	\$ 1.79	3.50	.94½	\$ 1.16	\$.95¼
Corn (No. 2 yellow, N. Y.), bu.....	.627½	1.144½	2.31¾	2.31¾	.60	.85½	.56
Oats (No. 2 white, N. Y.), bu.....	.43¾	.62	1.50½	1.50½	9.00	.50	.37
Flour (spring pat.), bbl***.....	6.80	6.42½	16.25	16.25	20.00	4.90	4.30
Beef (family), bbl.....	12.30	26.50	28.00	28.00	20.00	7.35	5.30
Pork (mess), bbl.....	16.50	30.00	47.00	47.00	29.50	20.50	17.75
Sugar (granulated), lb.....	.045	.049	.23	.23	.08	.0495	.0413
Coffee (No. 7 Rio), lb.....	.07¾	.18½	.13¾	.13¾	.06½	.13¾	.08½
Butter (creamery, extras), lb.....	.23½	.51	.77	.77	.51½	.38	.26¼
Eggs (fresh, first), doz.....	.28	.45	.89	.89	.42½	.60	.18
<b>TEXTILES—</b>							
Cotton (middling upland), lb.....	.10¼	.201	.43¾	.43¾	.14½	.14½	.0413
Print cloth (38½-in, 64-60), yd.*.....	.06½	.075½	.26	.26	.07½	.05½	.045½
Silk (raw, gr. xx white 13-15), lb.....	1.67½	5.72½	17.45	17.45	5.00	4.20	3.45
Silk (raw, best extra white 13-15), lb.**.....	1.52½	5.05	2.00	2.00	.80	.60	.47
Wool (fine Montana scoured), lb.....	.81	1.09	65.00	65.00	43.00	28.50	20.00
<b>METALS—</b>							
Steel billets (Pittsburgh), ton.....	26.00	34.00	53.50	53.50	33.00	18.50	15.00
Iron (No. 2x fdry., Phila.), ton.....	18.26	21.26	.09½	.09½	.04½	.04¾	.04
Lead (spot), lb.....	.043	.071	.19½	.19½	.12½	.17¾	.14½
Copper (elec.), lb.....	.08¼	.19¼	.65½	.65½	.32	.51	.367½
Tin (Straits), lb.....	.555½	.487½	54½	54½	15½	1.10	.76
<b>RUBBER, HIDES, ETC.—</b>							
Rubber (rib-smoked sheets), lb.....	.08½	.25¾	10.50	10.50	2.10	2.70	2.50
Hides (calfskins, city), 9 to 12 lbs.....	2.50	2.95	6.10	6.10	5.00	2.50	2.05
Crude oil (Pennsylvania), bbl.....	2.45	4.10	15.75	15.75	14.50	6.00	5.65
Coal (furnace), ton.....	12.50	13.74					

\*Quotations for years other than 1933 and 1929 are for 38 in. 34x60. Quotations for 1933 includes tax.

\*\*Quotations for years other than 1933 and 1929 are for No. 1 Sin, a grade slightly inferior to best extra white 13-15. The grading of silk was changed during 1928.

\*\*\*Quotation for 1933 includes tax.



# Lybrand, Ross Bros. & Montgomery

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